

Message Text

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12

ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 IO-14 SAJ-01 IGA-02 DRC-01 /127 W

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R 070720Z MAR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 437

INFO AMEMBASSY SAIGON

AMEMBASSY PHNOM PENH

AMEMBASSY VIENTIANE

C O N F I D E N T I A L TOKYO 3034

E.O. 11652: GDS

TAGS: EAID, JA, VS, VN

SUBJ: JAPANESE AID TO VIETNAM

SUMMARY: DISCUSSIONS ON 50 MILLION DOLLAR LOAN/GRANT PACKAGE FOR SOUTH VIETNAM ARE CONTINUING AND FONOFF ANTICIPATES DISBURSEMENT WILL BEGIN IN MARCH. ADDITIONAL AID MAY BE EXTENDED IN 1974. AS GOJ NEGOTIATIONS WITH NORTH VIETNAM ARE STALLED, GOJ DRAFT FY 74 BUDGET CONTAINS NO NEW GRANT FUNDS FOR NORTH VIETNAM. END SUMMARY.

1. DURING SEPARATE CONVERSATION MAR 5, ECONCOM/MIN REVIEWED WITH MIKANAGI, DIRECTOR GENERAL, ECONOMIC COOPERATION OUREAU, FONOFF, PROSPECTS FOR FUTURE JAPANESE AID TO VIETNAM. HE PROVIDED THE FOLLOWING ASSESSMENT:

2. SOUTH VIETNAM. A. 50 MILLION LOAN/GRANT PACKAGE. NEGOTIATIONS WITH THE GVN CONCERNING THE 30 MILLION DOLLAR LOAN ARE PROCEEDING AND MIKANAGI ANTICIPATES THAT AGREEMENT WILL BE REACHED PERHAPS BY MID-MARCH. DISBURSEMENT COULD THEN BEGIN IMMEDIATELY. HOPEFULLY, DISBURSEMENT OF 20 MILLION DOLLAR GRANT CAN BEGIN SOON THEREAFTER. RATHER THAN DEPOSIT GRANT AID INTO GVN
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SPECIAL DEVELOPMENT FUND SO THAT IT COULD BE COMPLETELY

DISBURSED WITHIN JFY 73 (ENDING MARCH 31, 1974), PLAN NOW IS TO USE FUNDS QTE IN USUAL WAY UNQTE, COMPLETING DISBURSEMENT BY MID YEAR OR PERHAPS AS LATE AS OCTOBER. (KIKUCHI, ASSISTANT DIRECTOR GENERAL, ECONOMIC COOPERATION BUREAU, TOLD ECON/COUNS EARLIER THAT PROVISION HAD BEEN MADE TO CARRY OVER GRANT FUNDS FROM FY 73 SUPPLEMENTARY BUDGET TO FY 74 IF NECESSARY.) GRANT AID, IN PRINCIPLE TIED TO JAPANESE PROCUREMENT, WILL BE UNTIED WITHIN LIMITS FOR PROCUREMENT IN THAILAND, SAID MIKANAGI.

B. FUTURE AID. IT MAY BE THAT GOJ WILL PROVIDE ADDITIONAL LOW INTEREST LOAN AID TO GVN DURING JFY 74. GOJ FY 74 DRAFT BUDGET ALSO CONTAINS 12 BILLION YEN ITEM FROM WHICH ADDITIONAL GRANT AID COULD COM. FOLLOWING PRECEDENT OF 50 MILLION PACKAGE, NEW LOAN AND GRANT ASSISTANCE WOULD BE EXTENDED IN RATIO OF THREE TO TWO. ALTHOUGH FONOFF HAS NO FIRM IDEA ON AMOUNT OF FUTURE AID, PERHAPS ADDITIONAL LOAN AID OF 30 TO 40 MILLION DOLLARS COULD BE EXTENDED. (UCHIDA OF FIRST ECONOMIC COOPERATION DIVISION EARLIER TOLD EMBOFF THERE CHANCE GOJ AID TO GVN COULD BE INCREASED PROVIDED LEVEL OF USG AID MAINTAINED. ON OTHER HAND, IF USG AID SHOULD DECREASE, HE SAID, THERE WOULD BE RESISTANCE FROM OPPOSITION PARTIES AND WITHIN GOJ TO GOJ'S ASSUMING USG BURDEN. ADDITIONALLY, SAID UCHIDA, FONOFF WOULD PREFER USG AID BE GRANT RATHER THAN LOAN, AS THIS MAKES GOJ TASK OF DEFENDING ITS AID EASIER.)

3. NORTH VIETNAM. AS NEGOTIATIONS WITH NORTH VIETNAMESE ARE STALLED OVER PRG AND/OR REPARATIONS ISSUE(S), AND AS 20 MILLION DOLLARS FROM FY 73 SUPPLEMENTARY BUDGET EARMARKED FOR NORTH VIETNAM (TOKYO 15524) CAN BE CARRIED

OVER TO NEXT FY, GOJ DOES NOT INTEND TO USE ANY FUNDS FROM 12 BILLION YEN ITEM IN FY 74 BUDGET FOR AID TO NORTH VIETNAM.
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